

**MINUTES of the  
DELAWARE ECONOMIC & FINANCIAL ADVISORY COUNCIL**

**Buena Vista – April 21, 2008**

**Attendance:**

<b>Member</b>	<b>Present</b>
H. Beckler	Yes
J. Bullock	Yes
L. Davis Burnham	Yes
R. Byrd	Yes
N. Cook	Yes
R. Cordrey	Yes
J. Davis	Yes
R. Davis	No
R. Derrickson	No
J. DiPinto	Yes
F. Dixon	Yes
B. Fasy	Yes
R. Gilligan	Yes
R. Glen	Yes
J. Horthy	Yes

<b>Member</b>	<b>Present</b>
D. Hudson	Yes
R. Larson	Yes
K. Lewis	Yes
D. Link	Yes
A. Lubin	Yes
J. Markell	Yes
J. McKinney Cherry	Yes
C. Morgan	Yes
E. Ratledge	Yes
G. Simpson	Yes
T. Shopa	Yes
H. Smith-Windsor	Yes
D. Swayze	Yes
C. Wicks	Yes

**Members in Attendance: 27**

**Members Absent: 2**

**Others Present:** D. Blowman, P. Carter, M. Casey, T. Cook, J. Craig, R. Geisenberger, D. Gregor, M. Jackson, P. Jackson, S. Kubico, B. Maxwell, B. Motyl, B. Scoglietti, A. Shepard-Visalli, B. Taylor and members of the press.

**Opening Business:** Mr. Byrd called the meeting to order at 3:05 p.m.

The minutes from the March meeting were approved as submitted.

**Expenditure Subcommittee:**

Ms. Davis Burnham presented the Expenditure Subcommittee's report. She reported that, since the March meeting, the State had taken concrete steps to address the fiscal shortfall. Accounting conventions determine in what manner each financial management stride is recognized. Ms. Davis Burnham reported that management actions accounted for as Reversions totaled \$41.3 million, with the estimate increasing from March's \$18.0 million to \$59.3 million. Continuing was decreased from \$252.9 million to \$236.1 million.

A motion was made, seconded and approved to accept \$3,419.6 million as the expenditure estimate for FY2008. This represents a decrease of \$24.5 million from the March estimate. (See Tables 1a and 1b.)

**Revenue Subcommittee:**

Mr. Lewis presented the Revenue Subcommittee's report.

**Economic Outlook**

Mr. Dixon presented his outlook for the economy. He noted that the economy was performing much better than expected, considering the difficulties presented by high energy costs and the problems in the housing and credit sectors.

While Mr. Dixon concurs with the consensus outlook that the economy is currently experiencing a recession, he believes that by historical standards it is very mild. The economic weakness will extend well into calendar year 2009, the stimulus package notwithstanding. Mr. Dixon summarized that economic recovery will not fully begin until the housing markets stabilize and that the timetable for housing's stabilization remains the key "unknown."

**General Fund Revenues - Fiscal Year 2008:**

The Revenue Subcommittee recommended the following updates to March's estimates:

Revenue Category	Mar-08	Apr-08	Change
Abandoned Property	369.0	340.0	(29.0)
Other Revenues	91.7	101.4	9.7
Corporation Income Tax	160.0	155.0	(5.0)
PIT Refunds	(180.0)	(185.0)	(5.0)
Corporate Fees	64.6	62.5	(2.1)
Realty Transfer Tax	82.6	80.6	(2.0)
Other Refunds	(42.3)	(42.8)	(0.5)
Hospital Board and Treatment	71.5	71.1	(0.4)
Uniform Commercial Code	14.3	14.0	(0.3)

For a complete listing of FY 2008 estimates, see Table 2.

**Discussion of FY 2008 Estimates:**

**Personal Income Tax:** Mr. Lewis noted that the only change in this category was an increase in Refunds.

**Bank Franchise Tax:** Mr. Lewis reported that though there was no change in the estimate, the Subcommittee is awaiting the final appeal of the Lehman court case.

**Abandoned Property:** Mr. Gregor reported that the magnitude of reduction was consistent with the volatility that DEFAC had been contemplating for months. The estimate is highly dependent upon a few very large enforcement issues. Based on reports of staff attempting to negotiate settlements on these issues, it was determined that collections originally anticipated for FY2008 needed to be postponed until FY2009.

Mr. Gregor added that the \$29.0 million reduction was net of a legislative change that added \$24.0 million to the General Fund total. Adjusting for this item, the reduction was \$53.0 million, which is consistent with the plus or minus \$50 million figure that DEFAC had been discussing since its December meeting.

**Realty Transfer Tax:** Mr. Lewis noted that the further reduction of this estimate reflected softness in this category that has spread to New Castle County.

**Other Revenues:** Mr. Lewis reported that the increase in this category

reflects the impact of fiscal management steps in the form of the recently enacted "mini bond bill," H.B. 357 which shifts some revenue from Special Funds to the General Fund.

Updates in other categories were attributed to tracking changes.

### **FY2008 Estimate Adopted:**

A motion was made, seconded and approved to accept the Revenue Subcommittee's recommendation of \$3,217.2 million as the revenue estimate for FY2008.

The estimate represents a decrease of \$34.6 million from DEFAC's March estimate.

### **General Fund Revenues - Fiscal Year 2009:**

Mr. Lewis reported that the Subcommittee recommended the following updates to March's estimates:

Revenue Category	Mar-08	Apr-08	Change
PIT Refunds	(189.0)	(194.3)	(5.3)
Corporation Income Tax	133.0	128.8	(4.2)
Corporate Fees	64.6	62.5	(2.1)
Realty Transfer Tax	76.4	74.6	(1.8)
Other Revenues	93.2	95.0	1.8
Other Refunds	(26.4)	(27.4)	(1.0)
Uniform Commercial Code	13.3	13.0	(0.3)
Hospital Board and Treatment	79.5	79.7	0.2

For a complete listing of FY 2009 estimates, see Table 2.

### **Discussion of FY2009 Estimates:**

**Abandoned Property:** Mr. Gregor stated that the FY2009 estimate remained unchanged due to the movement of anticipated enforcement collections from FY2008 into FY2009.

Mr. Lewis reported that all other changes reflected the carrying forward of changes made in FY2008.

**FY 2009 Estimate Adopted:**

A motion was made, seconded and approved to accept the Revenue Subcommittee's recommendation of \$3,310.9 million as the revenue estimate for FY2009.

The estimate represents a decrease of \$12.7 million from the March estimate.

**Balance and Appropriations Worksheet:** Mr. Gregor presented the balance and appropriations worksheet. The result is attached as Table 3.

**Transportation Trust Fund (TTF)**

**TTF -- Expenditures:** Mr. Motyl presented the Transportation Trust Fund's expenditure forecast.

State Capital expenditures were reduced by \$20.0 million. Mr. Motyl noted that this reduction was distributed between the Road System, Support Systems and Transit.

Federal Capital expenditures were reduced by \$7.0 million. This was attributed to Transit.

A motion was made, seconded, and approved to accept \$672.2 million as the FY2008 expenditure estimate. This represents a decrease of \$27.0 million from the March estimate (See Table 4.)

**TTF -- Revenues:** Mr. Motyl presented the Transportation Trust Fund's revenue forecast.

**FY2008 Estimates:**

The following changes were made from the March estimate.

**MV Registration Fees:** Decreased from \$43.1 million to \$41.9 million.

**Investment Income:** Decreased from \$13.1 million to \$12.5 million.

Mr. Motyl noted that continued weak auto sales required the lowering of the Motor Vehicle Document Fee estimate.

A motion was made, seconded, and approved to accept \$437.0 million as the FY2008 revenue estimate. This represents a decrease of \$1.8 million from the March estimate.

**FY2009 Estimates:**

The following change was made from the March estimate.

**MV Registration Fees:** Decreased from \$49.2 million to \$47.9 million.

A motion was made, seconded, and approved to accept \$472.7 million as the FY2009 revenue estimate. This represents a decrease of \$1.3 million from the March estimate. (See Table 5.)

**Other Business:**

Mr. Byrd announced the next two scheduled DEFAC meeting dates:

- May 19, 2008
- June 16, 2008

There being no further business, Mr. Byrd adjourned the meeting at 3:45 p.m.

Respectfully submitted,

James A. Craig